

**REMARKS**

Claims 14-29 are currently pending in this case. Claims 1-13 have been canceled. Claims 1-13 were rejected in the Office Action mailed August 23, 2004 on various grounds. New claims 14-26 have substantially the same scope as original claims 1-13; new claims 27-29 are supported by FIG. 4 and related text in the specification. Applicants have carefully considered the Office Action and in response submit the following remarks.

**Oath/Declaration**

The Office Action states that the citizenship of each inventor is not identified on the Declaration. An Application Data Sheet containing that information is attached hereto.

**Specification**

The Office Action objects to the use of the word “novel” in the Abstract. The Abstract has now been amended to remove the two instances of the word “novel.”

**112 Rejections**

The Office Action objected to claims 1-5 and 9-13 as containing the word “novel.” Those claims have been canceled; corresponding claims 14-18 and 22-26 do not contain the word “novel.”

Claim 3 was rejected on the ground that the phrase “underlying security” lacked antecedent basis. Claim 3 has been canceled; corresponding claim 16 uses the phrase “underlying equity security,” which occurs in parent claim 14 at line 5.

Claim 4 was rejected on the ground that the word “matching” and the phrase “underlying equity price” lacked antecedent basis. Claim 4 has been canceled; corresponding claim 17 uses “matching” instead of “the matching” and uses the phrase “a price of said underlying equity” instead of “underlying equity price.”

Claim 6 was rejected on the ground that the words and phrases “input platform”, “investment vehicle”, “risk”, and “security” lacked antecedent basis. Claim 6 has been canceled; corresponding claim 19 uses the phrases “input and storing platform”, “an investment vehicle”, “risk” (instead of “the risk”), and “a security”, all of which are believed to overcome the grounds for rejection cited above.

Claims 9 and 10 were rejected on the ground that the word "asset" lacked antecedent basis. Claims 9 and 10 have been canceled. Claim 22 uses the phrase "an asset" instead of "said asset." Use of "said asset" in dependent claim 23 is therefore proper.

Claim 13 was rejected on the ground that the phrase "lower effective conversion price" lacked antecedent basis. Claim 13 has been canceled. However, that rejection was improper: claim 13 depended from claim 10, which depended from claim 9, which contained the phrase "lower effective conversion price" at line 5. Likewise, corresponding new claim 26 depends from claim 23, which depends from claim 22, which has the same phrase.

#### 101 Rejections

Claims 1-13 were rejected as directed to non-statutory subject matter, based on questionable reliance on a non-precedential decision by the Board of Patents Appeals and Interferences. Applicants respectfully traverse this rejection and disagree with the statutory subject matter characterization adopted by the Patent Office. That "standard" clearly conflicts with the standard enunciated by the United States Supreme Court in several decisions and by the Court of Appeals for the Federal Circuit in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368, 1372-73 (Fed Cir. 1998):

The plain and unambiguous meaning of § 101 is that any invention falling within one of the four stated categories of statutory subject matter may be patented, provided it meets the other requirements for patentability set forth in Title 35, i.e., those found in § § 102, 103, and 112. . . . The repetitive use of the expansive term "any" in § 101 shows Congress's intent not to place any restrictions on the subject matter for which a patent may be obtained beyond those specifically recited in § 101. Indeed, the Supreme Court has acknowledged that Congress intended § 101 to extend to "anything under the sun that is made by man." *Diamond v. Chakrabarty*, 447 U.S. 303, 309, 100 S.Ct. 2204, 65 L.Ed.2d 144 (1980); see also *Diamond v. Diehr*, 450 U.S. 175, 182, 101 S.Ct. 1048, 67 L.Ed.2d 155 (1981). Thus, it is improper to read limitations into § 101 on the subject matter that may be patented where the legislative history indicates that Congress clearly did not intend such limitations. See *Chakrabarty*, 447 U.S. at 308, 100 S.Ct. 2204 ("We have also cautioned that courts should not read into the patent laws limitations and conditions which the legislature has not expressed.")

However, solely to advance prosecution of the application, new claims 14-29 have preambles and claim bodies with language analogous to that suggested in the Office Action.

Claims 9-13 also were rejected as having a method in combination with a system. Claims 9-13 have been canceled, and corresponding new claims 22-26 are strictly system claims.

102 rejections

Claims 1-13 were rejected under 35 U.S.C. § 102(e) as anticipated by U.S. Pat. App. Pub. No. 2003/0135446, to Birle et al. These rejections are respectfully traversed.

Birle discloses a contingent convertible debt instrument containing a provision permitting conversion only if any of certain economically substantial contingencies is satisfied. See, e.g., par. 0017. The instrument taught by Birle is a stand-alone instrument whose convertibility is contingent on an “economically substantial” event occurring – an event such as the price of an underlying security reaching 110% of a conversion price. Birle says nothing about coupled instruments.

Birle does not teach anything about related derivative instruments. The word “derivative” is mentioned only once, at par. 0024, as one of many exemplary securities. That single, peripheral use of the word “derivative” is far from sufficient to teach “a derivative instrument coupled to said debt security providing an option to purchase shares at a select price at a future date, wherein said derivative instrument is itself contingent and may be canceled prior to said future date and payment for said derivative instrument is provided on an installment basis, with future payment obligations extinguished upon cancellation,” as required by pending claim 14, for example. Birle teaches nothing of the sort.

If the Patent Office continues to assert that Birle does teach a derivative instrument with all of the limitations of claim 14, Applicants respectfully request specific identification of that “derivative instrument” (that is, we need to know what derivative instrument in Birle allegedly has all of the properties of the derivative instrument in claim 14; we need more than a mere cite to a paragraph, or even worse, a range of paragraphs). Such an identification is essential if Applicants are to be provided fair notice of the grounds for rejection. Applicants respectfully call attention to 37 C.F.R. § 1.104(c)(2) (“the examiner must cite the best references at his or her command” and “the particular part relied on must be designated as nearly as practicable”).

Nor does Birle appear to disclose a callspread option of any sort. If the Patent Office believes that Birle discloses a callspread option, specific identification of that option in Birle is requested. The terms "callspread" and "spread" appear to be absent from Birle.

Likewise, Birle fails to disclose any sort of reversible swap, much less the reversible swap required by original claim 9 and corresponding new claim 22. If the Patent Office believes that Birle does disclose any sort of reversible swap, specific identification of that swap is respectfully requested. The words "reversible" and "swap" appear to be absent from Birle.

Generally speaking, the Office Action provides insufficient notice to Applicants of the actual grounds for rejection. The Office Action simply repeats various claim limitations and appends the same general citation ("p.2, 24 to p.3, 37; p.5, 59; and fig.1-all") after each limitation. This is equivalent to an "omnibus rejection" of the claims and is therefore improper. See MPEP § 707.07(d).

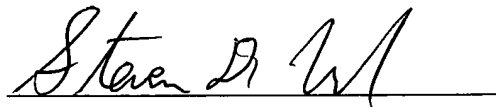
All of the asserted grounds for rejection in the Office Action having been successfully traversed, all pending claims are believed to be in condition for allowance.

No fee is believed to be due with this Response. However, if any fee is due, please charge that fee to Deposit Account No. 50-0310.

Respectfully submitted,

**MORGAN, LEWIS & BOCKIUS LLP**

Dated: November 18, 2004

A handwritten signature in dark ink, appearing to read "Steven D. Underwood", is written over a horizontal line.

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